Notice of Final Agency Action

SUBJECT: MassHealth: Payment for Acute Hospital Services effective September 24, 2009

AGENCY: Massachusetts Executive Office of Health and Human Services (EOHHS), Office of Medicaid

Introduction

The following describes and summarizes a change in MassHealth payment in its Pay-for-Performance (P4P) initiative for in-state acute hospitals. For further information regarding rate year (RY) 2009 acute hospital payment methods and amounts, you may contact Kiki Feldmar at the Executive Office of Health and Human Services, Office of Acute and Ambulatory Care, 600 Washington Street, 6th Floor, Boston, MA 02111.

Change in Payment Method

Acute Hospital Inpatient Services

A. Summary of Methodology for Calculating Pay-for-Performance Inpatient Service Payments effective September 24, 2009

EOHHS makes payments under its P4P initiative that are contingent on hospital adherence to quality standards and achievement of performance benchmarks, including the reduction of racial and ethnic disparities in the provision of health care.

B. Summary of Change

The RY2009 payment method for acute inpatient hospital services includes the following change, effective September 24, 2009:

It modifies the percentage of sampled medical records that must match submitted data (the validation standard or minimum agreement rate) from 100% to 80% for the Pay-for-Reporting Clinical Health Disparities Measure.

Justification

The minimum agreement rate as modified more closely conforms with CMS practices, and aligns with the other P4P data validation minimum agreement rates. The payment method remains substantially similar to that of RY2008—there is no change in the data submissions required to support the Clinical Health Disparities Measure and there is no change in how the data will be validated.

Fiscal Impact

EOHHS estimates that this change will result in approximately $6M more in aggregate expenditures for RY2009 P4P distributions payable in RY2010 than without this change. Total funding available for RY2009 P4P distributions payable in RY2010 remains unchanged.

Statutory Authority: M.G.L. ch.118G; M.G.L. ch.118E; St. 2006, ch.58; St. 2008, chs. 182 and 302; 42 USC 1396a; 42 USC 1396b; 42 USC 1315.

Related Regulations: 130 CMR 410, 415, 450; 114.1 CMR 36.00; 114.6 CMR 13.00, 14.00; 42 CFR Part 447.

Section 2: Definitions

The following terms appearing capitalized throughout this RFA and its appendices shall be defined as follows, unless the context clearly indicates otherwise.

Division of Health Care Finance and Policy (DHCFP) — a division of the Commonwealth of Massachusetts, Executive Office of Health and Human Services.

Executive Office of Health and Human Services (EOHHS) — the single state agency that is responsible for the administration of the MassHealth Program, pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act and other applicable laws and waivers.

Fiscal Year (FY) - The time period of 12 months beginning on October 1 of any calendar year and ending on September 30 of the immediately following calendar year.

Hospital (also **Acute Hospital**) **—** any Hospital licensed under M.G.L. c. 111, § 51 and which meets the eligibility criteria set forth in **Section 3** of this RFA.

Hospital Discharge Data (HDD) — Merged Casemix/Billing Tapes as accepted into DHCFP's database as of May 16, 2008, for the period October 1, 2006 through September 30, 2007

MassHealth (also **Medicaid**) **—** the Medical Assistance Program administered by EOHHS to furnish and pay for medical services pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act, and any approved waivers of such provisions.

Pay-for-Performance Initiative (P4P) — MassHealth's method for quality scoring and converting quality scores to rate payments contingent upon Hospital adherence to quality standards and achievement of performance thresholds and benchmarks in accordance with the provisions of G.L. c. 118E, sec. 13B and Chapter 58, Section 128 of the Acts of 2006 (as most recently amended).

Quality and Performance Initiatives — data-driven systemic efforts, anchored on measurement-driven activities, including Pay-for-Performance (P4P) initiatives, to improve performance of health-delivery systems that result in positive outcomes and cost-effective care.

Rate Year (RY) — generally, the period beginning October 1 and ending the following September 30. RY09 will begin on October 1, 2008, and end on October 31, 2009.

Section 7: Pay-for-Performance (P4P) Payment Methods

Hospital quality reporting requirements are set forth in **Appendix G.** Failure to comply, to the satisfaction of EOHHS, with any requirement in **Appendix G** may result in termination of the Hospital's Contract for provision of MassHealth non-Emergency Services, or in fines or reduced

payment amounts. A Hospital's performance with respect to the requirements in **Appendix G** may affect its present and future participation in the MassHealth program and/or its rate of reimbursement. Notwithstanding the termination provision in **Section I.2** of **Appendix A** (Hospital's Contract), any such termination shall be effective upon 30 days' prior written notice by EOHHS to the Hospital, and 130 CMR 450.000 et seq. shall not apply.

As set forth in **Section IV** of **Appendix G**, a Hospital may qualify to earn incentive payments if they meet data validation requirements and if they achieve improvement or performance benchmarks for measures listed in **Section II.B** of **Appendix G**. The methods that apply to the calculation of measure rates, performance scores and conversion of scores into incentive payments are set forth as follows**:**

1. **Measure Rate Calculations:** Each measure is calculated to produce aggregate numbers that will be used to establish baseline information, minimum attainment thresholds and performance benchmarks, relative to the distribution of Hospital participants. Measure rates are calculated using the following methods:

    a. *Inpatient Measures:* The measure rate is calculated by dividing the numerator by the denominator for each measure to obtain a percentage. This method applies to the following measures: community acquired pneumonia, maternity, neonate, surgical infection prevention, and pediatric asthma.

    b. *Health Disparities Measures:* The calculation of each health disparities measure is as follows:

        i. CLAS Measure - all items in the CCOSA checklist are calculated to obtain *one final score* for each Hospital.

        ii. Clinical Inpatient Measures – For health disparities for clinical inpatient measures listed in **Section II.B** of **Appendix G**, the accuracy and reliability on the reporting of the race/ethnicity data element codes and allowable values is evaluated prior to calculating Inpatient Measure rates as defined in **1.a** above. In RY2009, the clinical health disparities measure rate will be calculated by adding the validation score for the subset of three data elements (race, Hispanic indicator, ethnicity) only, as defined in Section **7.A.3**, to each inpatient measure reported.

2. **Pay for Performance Score Calculations:** An individual Hospital's performance scores for measures reported in RY2009, for discharges occurring between January 1, 2008 to December 31, 2008, will be assessed in comparison with all Hospitals. A Hospital's comparative performance score for each measure will be calculated based on the higher of attainment or improvement points awarded as follows:

    a. *Attainment Points:* Hospitals may earn points based on the relative placement between the attainment threshold and the benchmark. The attainment threshold is calculated as the median of all hospitals' performance scores. The benchmark is calculated as the

calculated as the mean of the scores for those hospitals in the top decile. The following methods apply:

(1) Hospitals will receive quality points between the range of zero to ten (10) for each measure reported in RY2009.

(2) If a Hospital's measure rate is below the *attainment threshold*, it will receive zero points.

(3) If a Hospital's measure rate is greater than or equal to the *benchmark* it will receive 10 points.

(4) If a Hospital's measure rate for a measure is below the benchmark, but at or above the *attainment threshold*, the Hospital will receive anywhere from 1 to 10 points for the attainment component.

(5) The number of "attainment points" a Hospital receives is determined by the ratio of the difference between the Hospital's measure rate and the attainment threshold divided by the difference between the *benchmark* and the *attainment threshold*. This ratio is multiplied by 9 and increased by 1, and rounded up to the nearest integer. The Hospital's "attainment points" will be calculated based on the following formula:

$$\frac{\text{Hospital's Measure Rate} - \text{Attainment}}{\text{Benchmark} - \text{Attainment}} \times 9 + 1 = \text{Hospital's Attainment Points Earned}$$

b. <u>*Improvement Points:*</u> Hospitals may earn points for improvement, if their current performance measure rate is greater than the *attainment threshold* and the Hospital has demonstrated improvement from previous year. The Hospital's "improvement points" will be calculated based on the following formula. Points will be rounded up to the nearest integer. If the result of the formula yields a result greater than 10, the maximum a hospital may receive is 10 points:

$$\frac{\text{Current Measure Rate} - \text{Previous Year's Measure Rate}}{\text{Benchmark} - \text{Previous Year's Measure Rate}} \times 10 = \text{Hospital's Improvement Points Earned}$$

c. <u>*Total Performance Score:*</u> The total performance score reflects a percentage between the range of 0% to 100% that will be calculated based on the higher of the attainment points or the improvement points earned. The total awarded points is divided by the total potential points for each measure to obtain the total performance score based on the following formula:

(Total Awarded Points/Total Potential) = Total Performance Score

3. **Pay-for-Reporting Scores**: Hospital performance scores for clinical health disparities measures will be assessed on meeting data validation standards for the required race/ethnicity data elements codes and allowable values reported on all inpatient measure

categories (maternity/neonate, pneumonia, surgical care infection prevention and pediatric asthma). Calculation of scores is contingent on meeting the following validation criteria:

a. To pass data validation, Hospitals must meet an agreement rate of 80% for the subset of three data elements of race, Hispanic indicator, and ethnicity based on the chart-audit validation process for inpatient measures data submitted, pursuant to **Section II.B** of **Appendix G.**

b. Scores for the clinical health disparities measure will apply a Pass/Fail criterion to the subset of three data elements. Hospitals that do not meet the 80% agreement rate set forth **in Section 7.3.a** above will receive a performance score of 0% and Hospitals that pass will receive a performance score of 100% on the subset of three data elements only.

4. Incentive Payment Calculations: Incentive payments under the RFA may cumulatively total no more than the legislatively established amount, pursuant to Section 128 of Chapter 58 of the Acts of 2006, as amended by Section 79 of Chapter 182 of the Acts of 2008. Incentive payment calculations of each quality measure category for discharges between January 1, 2008 to December 31, 2008, will be estimated on the following formula:

(Quality Measure Category per Discharge Amount) * (Actual Eligible Medicaid Discharges per Quality Measure Category) * (Performance Score per Quality Measure Category)

a. *Quality Measure Category per Discharge Amount:* The final per discharge amounts will be determined based on submission of hospital measures data required in **Appendix G**, as well as availability of RY2009 HDD for each quality measure category. To determine these amounts, EOHHS will use the following formula:

(1) For each measure category, EOHHS has established a maximum allocated amount, noted in the Table below.

(2) The Actual Per-discharge Amount for each measure category will be determined by dividing the Maximum Allocated Amount for each measure category by the statewide total Actual Eligible Discharges for that measure category.

(3) Each Hospital's Actual Eligible Medicaid Discharges (item **4.b** below) will be multiplied by its performance score (item **2.c or 3.b**) to produce an "adjusted" number of discharges.

(4) Each hospital's adjusted number of discharges will be multiplied by the actual per-discharge amount for each measure category to determine the Hospital's P4P incentive payment for that measure category.

The following table lists the maximum amount allocated for RY2009 for each quality measure category, the estimated number of eligible discharges per measure category based on FY07 MassHealth HDD, and the estimated per-discharge amounts, which are subject to change. Actual per-discharge amounts will be calculated using the actual eligible discharges and from the FY08 HDD, when available.

Quality Measure Category	**Maximum Allocated Amount**	***Estimated* Eligible Discharges**	***Estimated* Per Discharge Amount**
Community Acquired Pneumonia	$8,000,000	1,338	$5,979.07
Maternity	$16,200,000	10,057	$1,610.82
Neonate	$4,000,000	579	$6,908.46
Surgical Care Infection Prevention	$8,000,000	1,636	$4,889.98
Pediatric Asthma	$4,000,000	440	$9,090.91
Health Disparities CLAS	$11,250,000	81,711	$138.60
Health Disparities Clinical	$6,450,000	14,050	$459.07

b. *Actual Eligible Medicaid Discharges:* The Actual Eligible Medicaid Discharges are the total MassHealth discharges for each measure from the FY08 HDD for each category pursuant to **Section II.B** of **Appendix G**. For the CLAS measure, total Actual Eligible MassHealth discharges will be used.